

[REDACTED]

Dear Applicant:

We have considered your application for recognition of exemption under section 501(c)(3) of the Internal Revenue Code.

The information submitted indicates that you were incorporated on [REDACTED], in the State of [REDACTED]. Your articles of incorporation state that you are organized for the following three purposes:

- A. Conduct home buyer education programs.
- B. Support education programs by [REDACTED], including presentations by means of exhibits, symposia, publications and other educational programs.
- C. Assist qualified home buyers with down payments, closing costs, home buyer training and counseling.

Your statement of activities in your application for exemption refers to your educational activities to be held at the [REDACTED]. One of these events was held in [REDACTED] but the program was discontinued due to lack of interest. Your application for exemption and subsequent information submitted by your organization show no evidence of exhibits, symposia, publications and other educational programs, as referred to in your creating document. The workbook that you submitted appears to consist largely of materials prepared by [REDACTED]. Your application for exemption and subsequent information submitted by your organization reveal no programs that have actually been undertaken to assist qualified home buyers with down payments, closing costs, home buyer training and counseling.

The activities of your organization to date have been almost entirely carried on by your founder, [REDACTED]. [REDACTED] is your president, and one of three board members. There is no information in the file that would indicate that your other two directors play a meaningful part in your organization's governance or operation. You added these two directors to your board in September 1997 at our suggestion.

You state that your program of assisting home buyers will be open to adults who have the legal right to reside or work in the United States, have a current stable income, and desire to buy a home. You place no income limits on individuals eligible for your program. If a prospective home buyer lacks funds to pay closing costs, you will give the applicant a personal loan at a rate lower than the rate they would pay a lending institution for their mortgage, with the loan being serviced by an unspecified outside entity. You have not specified which lending institution or institutions you will coordinate with in arranging home mortgages.

Your articles of incorporation contain an appropriate section 501(c)(3) purpose limitation, and an adequate dissolution provision meeting the requirements of section 501(c)(3).

Section 501(c)(3) of the Internal Revenue Code provides in part for the exemption from Federal income tax for organizations organized and operated exclusively for charitable or educational purposes.

Section 501(c)(3)-1(a)(1) of the Income Tax Regulations provides that in order to be exempt as an organization described in section 501(c)(3), an organization must be both organized and operated exclusively for one or more of the purposes specified in such section. If an organization fails to meet either the organizational or the operational test, it is not exempt.

Section 1.501(c)(3)-1(c)(1) of the regulations provides that an organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages in activities which accomplish one or more of such exempt purposes specified in section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Revenue Procedure 90-27, 1990-1, C.B. 514, provides in part that exempt status will be recognized in advance of operations if proposed operations can be described in sufficient detail to permit a conclusion that the organization will clearly meet the particular requirements of the section under which exemption is claimed. A mere restatement of purposes or a statement that proposed activities will be in furtherance of such purposes will not satisfy this requirement. The organization must fully describe the activities in which it expects to engage, including the standards, criteria, procedures, or other means adopted or planned; and the nature of contemplated expenditures. Where the organization cannot demonstrate to the satisfaction of the Service that its proposed activities will be exempt, a record of

actual operations may be required before a ruling or determination will be issued.

The information contained in your application for recognition of exemption, and information subsequently submitted, indicates that your actual activities to date have been minimal. You presented a housing information program at the [REDACTED] Library in [REDACTED]. You have not to date processed any applications for home loans, as evidenced by your inability to provide case histories for such applications. You have been unable to provide specific criteria for accepting applications and qualifications for loans from your organization and qualifications for referring applicants to lending institutions.

Based on the above, you have not established that you are operated exclusively for charitable purposes. Accordingly, you do not qualify for exempt status under section 501(c)(3).

Contributions to you are not deductible under section 170 of the Code.

You have the right to protest our ruling if you believe that it is incorrect. To protest, you should submit a statement of your views, with a full explanation of your reasoning. This statement must be submitted within 30 days of the date of this letter and must be signed by one of your officers. You also have a right to a conference in this office after your statement is submitted. If you want a conference, you must request it when you file your protest statement. If you are to be represented by someone who is not one of your officers, he/she must file a proper power of attorney and otherwise qualify under our Conference and Practice requirements.

If you do not protest this proposed ruling in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Code provides, in part, that a declaratory judgement or decree under this section shall not be issued in any proceeding unless the United States Tax Court, the United States Claims Court, or the District Court of the United States for the District of Columbia determines that the organization involved had exhausted all administrative remedies available to it within the Internal Revenue Service.

If we do not hear from you within 30 days, this ruling will become final and copies will be forwarded to your key District Director. Thereafter, any questions about your federal income tax status should be addressed to that office. The appropriate

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-4-

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State officials will be notified of this action in accordance with section 6104(c) of the Code.

Sincerely yours,

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[REDACTED]